

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT & LABOR
APPROPRIATIONS SUBCOMMITTEE**

Room S210, Senate Building, State Capitol Complex
January 11, 2011

MEMBERS PRESENT: Sen. Jerry Stevenson, Senate Chairman
Rep. Todd Kiser, House Chairman
Rep. Julie Fisher, House Vice Chair
Sen. Gene Davis
Sen. Ralph Okerlund
Sen. Stuart Reid
Sen. Steve Urquhart
Rep. Jackie Biskupski
Rep. Greg Hughes
Rep. Brian King
Rep. Jeremy Peterson
Rep. Val Peterson
Rep. Ryan Wilcox

MEMBERS EXCUSED: Sen. Curtis Bramble

MEMBERS ABSENT: Rep. Jim Dunnigan

STAFF PRESENT: Dr. Andrea Wilko, Chief Economist
Dr. Thomas Young, Economist
Patrick Lee, Fiscal Analyst
Rosemary Young, Committee Secretary

Note: A list of visitors and copy of handouts will be filed with committee minutes.

Rep. Kiser called the meeting to order at 8:10 a.m. and invited committee members and staff to introduce themselves. Rep. Kiser gave a power point presentation prepared by staff which summarized recent challenges on the revenue side of the State budget and rising demands for spending. Each subcommittee is to prepare a base budget bill by the first day of session. These introductory bills will simply reduce all budgets across the board by 7% which is the amount necessary to eliminate the structural deficit of \$313M. It is understood that these introductory bills will be adjusted during the session and include more surgical cuts.

Rep. Fisher reassured the committee that they are not being asked to make any cuts to the current budget.

Department of Community and Culture

Michael Hansen, Executive Director, Department of Community and Culture, assisted by Kimball Hale, Finance Director, outlined the history and mission of the department through a power point presentation. DCC has been active five years as presently organized, has 91 programs and approximately 200 employees. The department gives cultural, financial, and technical expertise to communities to elevate quality of life. Areas in which the department has been particularly successful are: effective training for librarians, largest Braille library in the nation, program to end homelessness, 2.5 million hits to the History website, 4.3 million persons attending arts events, department wide strategic plan, and digitization initiative. The department goals are: be a known resource to all of Utah's communities, quantify and characterize DCC's ROI's, optimize services and operations, increase strategic partnerships.

There was a discussion about funding, how the department handles federal funds, and the fact that the 7% cut will only be against the part of the budget which is funded by the General Fund. A handout concerning the Division of State History was distributed.

Governor's Office of Economic Development

Spencer Eccles, Executive Director of the GOED, assisted by Sophia DiCaro-Goodick, Finance Director, distributed several handouts and referred to the Governor's vision for our state, the mission statement which is that Utah will excel in job creation, innovation, entrepreneurship, global business, and quality workforce and have a stable and sustainable business friendly environment. Seventy-seven percent of funding is from the General Fund. Business Resource Centers have been created throughout the state, and 1,469 businesses have been assisted by them creating 492 jobs. Eighty per cent of businesses in Utah are small businesses driving 90% of jobs in the state. Efforts to grow businesses include business incentives and recruitment initiatives and support of international trade and diplomacy. It was noted that Utah is the only state in the nation which expanded exports last year. The director requested that their funds be non-lapsing and emphasized the office's intent to remain ahead of the competition.

Leigh von der Esch, Managing Director, Utah Office of Tourism and Film, responded to questions concerning the impact of filming on rural Utah.

Utah Science Technology And Research Initiative

Ted McAleer, Executive Director, USTAR, distributed a handout and through a power point presentation outlined the three program areas which are: research teams, building projects, and regional technology outreach. USTAR has reached or exceeded its goals in four areas: attracting research funds, filing invention disclosures, leverage of state funds invested, and jobs created. Funding from the General Fund is down 25.3% from 2008-2012. Important factors in attracting research faculty are quality people to collaborate with and world class research facilities

Rep. King expressed appreciation and urged continued support of the initiative.

Tax Commission

Bruce Johnson, Tax Commission Chairman, accompanied by Julie Alsop, Budget Manager and Barry Conover, Acting Director, noted the loss of Rod Marrelli, Executive Director of the Tax Commission in October. Acting Director Conover discussed a handout with the committee, explaining the mission and organization of the Tax Commission, including the appointment of commissioners. Each legislative session approximately 250 bills are generated which must be reviewed as to tax and revenue consequences. The Commission processes \$6.6 B yearly which is 51% of the state budget. It was reported that the economy is doing a little better. There is a 3.5% transaction growth per year, yet FTE reduction has been about 4.6 % since 2006. More filings and work are being done electronically, and this is being encouraged.

Sen. Okerlund asked concerning property tax decreases if property values decrease and concerning the revenue loss due to the loss of auditors and collectors.

Department of Alcoholic Beverage Control

Dennis Kellen, Executive Director, and John Freeman, Deputy Director, Department of Alcoholic Beverage Control, distributed handouts and through a power point presentation discussed the functions of the department and the advantages of being a "Control State", one of which is the ability to control what products are sold in the state such as alcohol infused energy drinks which appeal to youth. The goal is to eliminate alcohol consumption by youth, and Utah has the lowest DUI and youth consumption rates in the nation. The Parents Empowered media campaign was discussed. The department has functioned with no increase in staff in seven years despite sales doubling and has an expense to sales ratio below 11.5%. It was pointed out that DABC's budget has no connection to sales. Also there is a greater than dollar for dollar loss to the General Fund, School Lunch Program and Sales Tax due to loss of funding to the department. Dollar sales are up, but bottle sales are down which is an indication that the economy is improving because people are buying more expensive product, not more product over all.

Rep. Wilcox asked if royalties come back to the state for other states' use of the Parents Empowered program. The department is only concerned about the message getting out. There was also discussion as to why the expense to sales ratio is so low. There are many part time and seasonal employees. Liquor licenses were discussed and how they affect the department.

Insurance Commission

Tomi Osanna, Executive Director of HIPUtah, distributed a handout explaining the program and its funding sources and explained that enrollment is expected to grow at a 6% rate for the next three years in spite of decreases in funding which will result in reserve levels being depleted.

Federal-HIPUtah is a federal-subsidized health insurance program begun in September 2010 to offer transitional coverage until 2014.

Rep. King discussed the numbers of uninsured and uninsurable Utahns.

Neal Gooch, Commissioner of Insurance, assisted by Doyle Christensen, Administrative Services Director, distributed a handout and explained their mission and also their performance measures related to their regulatory functions. The budget was discussed. If 10% cuts are made it would take the department back to 1991 levels when there were 52 employees and a population of 1.8 million. There is now a population of 2.9 million. To effect cuts administrative personnel were reduced rather than lose technically trained positions. The commission does contribute money to the General Fund.

Rep. Hughes responded to a question from the chair as to what Executive Appropriations' expectations are.

MOTION: Sen. Davis moved to adjourn. The motion passed unanimously with Sen. Reid, Rep. Val Peterson, Rep. Wilcox, and Rep. Fisher absent for the vote.

Rep. Kiser adjourned the meeting at 12:08 p.m.

Sen. Jerry Stevenson, Chair

Rep. Todd Kiser, Chair